

VISIT...

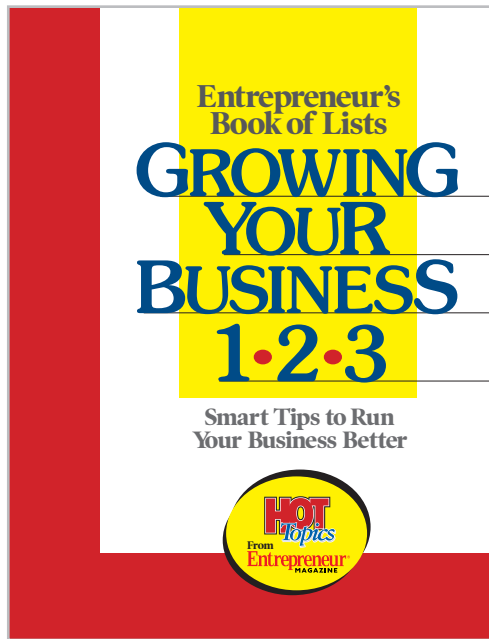
LANZAROTE
Caliente.COM

Entrepreneur's
Book of Lists

GROWING YOUR BUSINESS 1•2•3

Smart Tips to Run
Your Business Better





ISBN 1-932156-04-6

©2002 by Entrepreneur Media Inc.
All Rights Reserved

Reproduction or translation of any part of this work beyond that permitted by Section 107 or 108 of the 1976 United States Copyright Act without permission of the copyright owner is unlawful. Requests for permission or further information should be addressed to the Business Products Division, Entrepreneur Media Inc.

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold with the understanding that the publisher is not engaged in rendering legal, accounting or other professional services. If legal advice or other expert assistance is required, the services of a competent professional person should be sought.



Entrepreneur Media Inc.
2445 McCabe Way, Suite 400
Irvine, CA 92614

www.entrepreneur.com

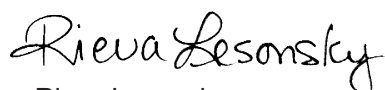
EDITOR'S NOTE

Designed to instruct and inspire you, *Growing Your Business, 1, 2, 3...* is a distillation of the best advice from the editors of *Entrepreneur* magazine, containing the most essential, most current information you'll need to grow your business. In this e-book, you'll learn:

- Where to look for expansion capital
- What you should never tell an investor
- Business bargains that will boost your bottom line
- Smart shortcuts to help you run a more efficient business
- Easy ways to reward your employees--without breaking the bank
- Tips for getting the most from your next business trip

But this e-book is only a starting point for your journey to success. We offer a variety of other resources you can use to expand your knowledge of business operations. Explore our Web site, www.entrepreneur.com, for comprehensive information on running and growing your business, including *Entrepreneur* magazine archives, tools and products, expert advice and more. And be sure to check out www.smallbizbooks.com for our complete library of small-business books.

Running your own business is neither as mysterious as some would have you believe, nor as risky as legend would have it. But it *is* a journey that is best not taken alone. With this e-book as your companion, you'll be a wiser traveler on the road to entrepreneurial success.



Rieva Lesonsky
Editorial Director

CONTRIBUTORS

Contributors to this e-book include:

Art Beroff • Christopher Elliott

David R. Evanson • Mark Henricks

Scott Miller • Gwen Moran

Victoria Neal • Chris Penttila

Dennis Rodkin • Wallace Weeks

Entrepreneur's staff and contributing writers

Table of Contents

1.	15 Shortcuts to Business Success	1
2.	7 Ways to Adjust Your Business Focus	7
3.	17 Business Scams to Avoid at All Costs	11
4.	25 Bargains That Will Make Your Business Better	15
5.	7 Ways to Be More Optimistic	23
6.	7 Ways to Reward Employees When Your Budget Is Tight	25
7.	8 Easy Ways to Find Out If That Bank Is Right for You	27
8.	7 Steps to Preparing to Look for Expansion Capital	29

TABLE OF CONTENTS

9.	6 Lies You Should Never Tell an Investor—and What You Should Say Instead	33
10.	14 Tips to Help You Tackle Your Next Overseas Trip	37

15 Shortcuts to Business Success

Like the secret shortcut that lets you breeze past a clog on the expressway and gets you where you're going, business shortcuts can provide an invaluable boost to the mileage you squeeze out of your days. Here's a guide to some of the most effective shortcuts every entrepreneur should know about. These 15 tips represent the best advice of organization and efficiency experts, small-business management professors and entrepreneurs themselves.

1. Categorize your days. Ann Dugan, director of the Small Business Development Center at the University of Pittsburgh's Katz Graduate School of Business, understands how days seem to just slip away. She also knows how small obstacles can obscure the path of a successful, thriving business. So she advises that you set them all aside.

"Name some days 'strategy days' and others 'detail days,' and don't let one get mixed in with the other," Dugan says. "You can't put off doing detail work forever, but you can at least say this is not the day for details but for 'big picture' items, things that move the business forward." Color-code your calendar or daily planner accordingly.

2. Go sideways. Rather than letting incoming correspondence, files and other to-do items pile up, devise a system for laying them out side-by-side. "When you pile papers up horizontally, you've created a paper graveyard," says Elaine Bloom, a professional organizer and owner of Maplewood, New Jersey-based A Place For Everything. "You can never find anything, and the one thing you want is inevitably at the bottom. You thumb through the pile looking for it, and the whole stack falls over."

Bloom recommends a change of direction. Get a wire rack, a cardboard accordion file or a wooden box with slots—anything that makes it possible to line up the papers. That way, you can see everything and pick out what you need when you need it, she explains. An additional advantage: no more forgetting about the items that are perpetually trapped in the middle of the pile. With everything visible, nothing can be forgotten for long.

3. Write a book. Remember that phone number you wrote down six weeks ago? Now you need it. Any chance you'll find it within the

15 SHORTCUTS TO BUSINESS SUCCESS

hour? If not, try keeping all your random notes in one place. Bloom's recommendation: Get a spiral notebook to use as a scrapbook. Put those phone numbers, dimensions and preferred typefaces in there for safekeeping. Novelists and other creative writers often use this method for storing observations, descriptions and other spontaneous material they want to retrieve later.

And if your work keeps you near the computer all day, don't plaster it with Post-it notes. Start an on-screen junk file where you can keep track of all those loose ends. "When everything is in one place, you know where to start looking," Bloom says.

4. Plan for one-person meetings. If there are things you have to do but aren't finding time for, move them from the perpetual to-do list into their own reserved block of time on the calendar. "Somehow, putting those things on the calendar makes you think you have to do them at those times," Bloom says. And don't ignore the importance of these one-person meetings. Just because you're not meeting with anyone else, that's no reason to ignore or postpone these scheduled tasks.

5. Take on multiple identities. It took just a few years for e-mail, that great time-saving innovation, to create a whole new list of irritations for entrepreneurs. "Just scrolling through all the unwanted messages that come in [can consume so much time]," Bloom notes. She advises setting up several screen names—for example, one for queries from clients, another for messages from employees and a third for e-mail to and from outside contractors or suppliers.

6. Give three points for showing up on time. Dugan says most entrepreneurs dread interviewing job candidates. Here are her tips for smoothing the process, from writing a classified ad to interviewing candidates:

- *Write an ad that explicitly states what qualities or skills the successful candidate must have.* List five or six key points—fewer, and you're casting your net too broadly; more, and you're being too restrictive. "Ask yourself whether people who read the ad will really see what you're looking for," Dugan says. Vague terms such as "management experience required" may not say as much as particulars like "position requires five years or more of experience supervising a staff of at least 10 people."

It's likely you'll find at least a handful of candidates who took the time to read your ad before dropping their resumes in the mail. Among those, don't even bother to read names, addresses and other irrelevant informa-

tion. “Just score them for how many of your top five skills they have,” Dugan says. If too many people survive this round, trim your list of traits to the top three and see how many candidates are still in the running.

“If the resumes you get [aren’t from] the kind of people you want, look back at your ad and decide whether you need to rewrite it,” Dugan says.

- *Before you start interviewing, make a list of 10 or so questions that will help you evaluate candidates.* Be specific, and applicants’ answers are likely to be specific, too. Ask everyone the same questions, and score their responses as your gut feelings dictate.

- *Above all, Dugan says, remember that the interview is about finding out about the candidate, not about publicizing your business.* “What often happens when small-business owners interview is they get nervous about asking questions, so they spend 45 minutes talking about themselves,” she says. They pay for it later when they discover they didn’t hear much about the candidates and have little to go on when making a hiring decision.

7. Get out the magic mirror. Want to improve your customer service skills? The quickest way to train yourself and your employees to adopt a friendly demeanor during calls is to put a mirror next to the phone, says Richard Chase, professor of operations management at the University of Southern California’s (USC) Marshall School of Business in Los Angeles. “[If you’re] looking at yourself in the mirror,” he says, “you’re not going to frown or scowl.”

8. It’s not a joke; it’s poka-yoke. Chase is a proponent of the Japanese method of designing work sets and kits to reduce the potential for error. For example, if assembly of a certain component requires four screws, compiling sets of four screws in advance saves time and reduces the likelihood of one component getting only three screws.

Can you find a poka-yoke solution to rid your business of mistakes? Maybe it’s creating sales kits so salespeople don’t have to collect the items they need each time they want to send information to potential customers. Or in a packing/shipping company, Chase notes, it might mean putting a box, tape and packing material together in a kit. “Anything you can do to keep employees from having to root around in one bin and then another is going to save time,” he says.

For situations where kits don’t apply—such as asking someone to clean up a stockroom—Chase suggests offering a photograph that shows the person the solution as it was reached before. “This is an old trick for

15 SHORTCUTS TO BUSINESS SUCCESS

getting your kids to clean up their rooms the right way,” Chase says.

9. Get the message. When Shel Lustig and his two partners moved their Des Plaines, Illinois, radio-production company, MediaTracks Communications, into a new suite of offices several years ago, one of the most important decisions they faced was what kind of phone system to purchase. “We had to have something where, if a message came in to me but it ought to have gone to one of my partners, I could forward it directly to that person,” Lustig says.

It’s a simple feature called message forwarding, a service that’s available from your local phone company. Lustig says his firm relies on it. “The information conveyed is 100 percent accurate, so you save all the time you used to lose on confusion and mistakes,” he says.

10. Start a commune. You have a file on XYZ vendor, and so do three other people on your staff. Eliminate duplication and the risk of errors, and make all the information available to everybody at once by starting a communal filing system. There should be a main file on each vendor, major order or other ongoing issue, so anyone who needs to check on it can do so whenever necessary. Each file should be kept in the appropriate person’s office—the person who refers to the file most often; other employees should have access to it as needed.

11. Keep it brief. Any time there’s something people ought to know, pull everybody together for a three- to five-minute meeting. That way, you’ll know everybody’s on the same page right from the start. There’s no “Gee, I thought Bill would tell you.” You’ll save a lot of time by not having to write and pass out memos.

12. Use tools that float. If you have employees who go out on the road, set up an office pool of cell phones and laptop computers. Portable office equipment that’s available for any traveler saves time for both the road warrior and the home office. This way, your employees can make the calls they need to while on the run or log in from a hotel room—whatever they need to do. And those of you back at the office who need to reach them or get something to them can get it done without a lot of crossed wires.

13. Stay home. A client in Cleveland calls with some new worries, and you instantly dispatch a trusted employee to get out to Ohio and put out that fire. But could you have done it sitting in your office? “There’s a knee-jerk reaction to put people on a plane and send them here or there without asking yourself if the trip was necessary,” Dugan says. “There’s so

much technology available now, you can probably do just as much for the client with a teleconference, and you keep from wearing out your staff by not putting them on planes all the time.”

Personal meetings may be important, but many businesses seem to be cutting back on them, using sophisticated communications equipment instead. A survey of businesses by the National Business Travel Association found that 54 percent of respondents reduced the number of trips their employees make, while 52 percent now rely on videoconferencing, and 35 percent use teleconferencing.

14. Be prepared to fly. Everybody knows the worst part of business travel is spending time in airports, the great black holes where productivity is concerned. USC's Chase urges anyone who travels for business to become “a self-contained unit, as decoupled from the airline and the airport as possible.” This goes beyond traveling with only carry-on luggage, he says, to bringing along a snack or a bottle of water and knowing your gate number before you enter the airport.

The National Business Travel Association takes it one step further by recommending you keep a log of flight numbers, airline customer-service phone numbers and car-rental confirmation numbers. This helps if reservations get lost or computers go down.

15. Finally, take a vacation seriously. There's nothing worse for peace of mind than scheduling family time, a special trip or simply a day of nothing and having phone calls from, to or about work periodically intrude. Vacation time isn't for lazy people; it's one of the best shortcuts to success. Just as athletes know their muscles need a break between workouts, you also need time to rest and rebuild. “We all need time to recharge our batteries,” says the University of Pittsburgh's Dugan. “When you go back to work refreshed [from a vacation], your creative juices are flowing again, and you're more effective.”

Dugan warns that free time has to be treated as sacrosanct. “Pick up the phone to answer one call, and it's no longer free time. There's a second call you have to make because of that one, and on and on it goes,” he says. “Think of time off as the best time you spend on your business. Downtime makes it possible to develop [new ideas] and start thinking strategically and creatively about your business again.”

7 Ways to Adjust Your Business Focus

Houston entrepreneur Joe M. Powell, who started and sold three businesses before starting Worthing Brighton Press in 1995, conducted a recent study of the critical focuses required of today's entrepreneurs. In the process, he interviewed business professors at 28 top graduate schools. His primary motivation? "I'm frustrated by the noise and confusion and trendiness," says Powell, referring to the sea of management fads that today's entrepreneurs are faced with.

Lester A. Digman, professor of management at the University of Nebraska, Lincoln, and author of the Worthing Brighton book, *Change Management, Human Issues Are the Key*, says now is a perfect time to re-examine our focuses. "A lot of things are in flux," he says. "Business models are changing, and how you make strategy is changing." So, without further ado, let us introduce the seven new focuses:

1. Old Focus: A Big Idea **New Focus: A Clear Vision**

There's nothing wrong with big ideas, says Powell, except they can't survive on their own. They also have to be clear visions. What's the difference? A clear vision is executable, but a big idea may not be, he says.

Not making that distinction is a common error, says Mike Young, executive director of the Small Business Development Center (SBDC) at the University of Houston. His advice is to chop ideas into distinct, separate chunks. "With definable parts, you can easily make an action plan," he says.

When Cynthia B. Kaye was starting Logical Choice Technologies Inc. in Duluth, Georgia, in 1994, she was willing to sell any product or service that had to do with integrating information systems for public schools. Today, she has refined her focus to six core competencies that fit on a single page of paper. "That sheet focuses on what we can do for clients," says Kaye. "This way, we sell what we can do."

2. Old Focus: Technology-Driven **New Focus: Customer-Driven**

It's not about what technology will allow; it's about what customers will

7 WAYS TO ADJUST YOUR BUSINESS FOCUS

buy, says Powell. Yet entrepreneurs typically enter fields where they're technically knowledgeable, which often leads them to focus on product capabilities more than on what customers need. Even when entrepreneurs appear to be considering what customers want, they may not be addressing their real needs.

Of course, technology will continue to be a key driver of entrepreneurial success. The difference is where technology ranks in the hierarchy. For entrepreneurs like Mason C. Kauffman, founder and chair of online logistics software provider Accuship in Germantown, Tennessee, the only technology he wields is what customers specifically request.

Accuship's products, which help large companies ship, track and report on the movement of goods, are highly sophisticated in how they use the Internet to link high-end accounting and e-commerce software to databases of shipment information from package-delivery firms. But, says Kauffman, "we don't build technology and go sell it. We go to our customers, and when they say what they want, we build it."

3. Old Focus: Lots of Funding **New Focus: Inexpensive Concept Testing**

"Does it really take \$50 million just to test your concept?" asks Powell. For him, the answer is clearly negative. And, despite the excesses of the last few years, the typical entrepreneur would agree, if for no other reason than necessity. "Most of our customers," Young observes, "don't have the luxury of having that kind of funding available."

Luxury is the basic problem for some overfunded entrepreneurs, says Kaye. "In the past, people would get money and just live high on the hog," she says. "They didn't think, 'If I spend this money, what will I get back?'"

You don't need a lot of funding to get a lot back if you start small and grow organically, says Kauffman. When he started in 1994, venture capital wasn't a glamour business and nobody was giving any money to small online start-ups. His prototype was funded by profits from consulting jobs he and his partners took on.

4. Old Focus: Homemade Management **New Focus: Studied Management**

Naturally, business school professors are going to recommend entrepreneurs go back to school to learn how to run their companies. But there may be something more to this new focus than academic self-inter-

est. As Powell wisecracks, “Maybe the management wisdom of the past has not been repealed by the New Economy.”

His point is, entrepreneurial intuition may not be enough these days. And he’s not the only one who thinks so. Business schools across the country are both starting and expanding entrepreneurship programs, but they’re still not keeping up with demand. University-affiliated small-business educators such as Digman and Young say their entrepreneurship programs are consistently oversubscribed, and admission is competitive.

The same is true of more practical education. The University of Houston SBDC, for example, annually trains more than 14,000 entrepreneurs and employees, and consults to another 7,000. And more business owners now look for stints at established companies on resumes.

5. Old Focus: Energy Spent Acquiring Funding **New Focus: Energy Spent Acquiring Customers**

Customers, not investors, create wealth, Powell contends. Digman agrees: “The investor is the enabler, but for anything to succeed, it has to have customers.”

Spending too much energy on finding funding can cripple a growing business, adds Kaye. She spent most of a recent past year drawing up business plans and presenting them to investors in hopes of finding expansion capital. “A lot of my energy, probably 90 percent of it, went to that—to no avail,” she says. While she was wooing investors, she wasn’t courting customers, and her business suffered for it. “It was a big learning experience,” she says. “I stopped looking for equity, and now I’m focused on acquiring new clients. It’s made a big difference.”

6. Old Focus: Traditional Meat-Ax Marketing **New Focus: Creative Surgical Marketing**

“The mass market, for all practical purposes, has been dead for a generation,” says Digman. “The effective companies are the ones that have been targeting, targeting, targeting.”

A target market isn’t necessarily a small market, Digman adds. You can assemble a number of niches into a mass nearly as big as that reached by a Super Bowl ad. But when you target your marketing to each of those niches, you can make far more money. “It’s been all about that for some time,” Digman says. “We’ve just finally realized it over the past 10 years.”

7 WAYS TO ADJUST YOUR BUSINESS FOCUS

Entrepreneurs like Kauffman have caught on. He made the decision early on to target the Fortune 1000. His reasoning? These companies have the biggest logistics budgets and the most sophisticated needs. “And I know where the Fortune 1000 is,” Kauffman says, “so I don’t need ads.”

7. Old Focus: Major Milestone Is an IPO **New Focus: Major Milestone Is Market Share**

If one thing is clear in the new entrepreneurial era, it’s this: Acquiring and serving customers, not selling stock to investors, builds companies. Businesses like Amazon.com that made billionaires of their founders and pre-IPO backers while making paupers of their later-stage shareholders aren’t really creating wealth, Powell claims. They’re just transferring it from investors’ pockets to entrepreneurs’ pockets.

For most entrepreneurs, of course, IPOs are something that happen to other people. But even for those with the option of going public, it’s not always the ultimate objective. Kauffman feels his firm could be a legitimate public company. “We realize an IPO is there,” he says. “But the question is, ‘Why would you do it?’ “ His company might be able to grow just as well, and with a lot less trouble, by carefully partnering with larger companies.

“If your focus is a great IPO, you’re building a house of cards,” he says. “It sounds kind of hokey, but really your number-one interest is in building a great company, building great infrastructure and building great employees. The rest will take care of itself.”

17 Business Scams to Avoid at All Costs

The Association of Certified Fraud Examiners estimates that fraud, ranging from bogus billing and dishonest direct mail to sales scams, costs U.S. businesses more than \$400 billion annually. The tactics used by scam artists range from the classic to the high-tech. Here's a rundown of what to watch out for to avoid getting taken to the cleaners:

1. Fraudulent charities. Within 48 hours of the September 11 terrorist attacks, reports of bogus charities claiming to collect for relief efforts began to surface. You can check out any charity before sending money by visiting the Web sites of watchdog groups such as the Better Business Bureau (www.bbb.org) and the American Liberty Project (www.libertyunites.org), a cooperative effort between Amazon.com, AOL Time Warner, Cisco Systems, eBay, Microsoft and Yahoo! If you wish to donate to smaller, community-based organizations, which may not be listed on watchdog sites, you should get information in writing and request references. Another tactic: Check the charity's Web site domain through the WHOIS function at Network Solutions (www.networksolutions.org) to find out who registered it and whether the name on the registration matches the name of the charity. If it doesn't, you should be suspicious.

2. 90# scam. In this scenario, callers who claim to be telephone company representatives ask the receptionist to dial 90# to test the phone. On many systems, this allows a third party to then make calls on your dime. Some variations include callers asking to be transferred to extension 90 or 900. Tell your employees: When a caller asks for 90#, hang up.

3. 809 scam. Beware of urgent letters or e-mails demanding that you call a number in the 809 area code. Originating in the Caribbean, these 809 numbers are often "pay per call," much like 900 numbers in the United States, and may cost you up to \$25 per minute. While some 809 numbers are legitimate, be sure to check the origin of any unfamiliar area code before you dial it. You can use the listings of U.S.-based area codes found in most telephone books or call your long distance provider for information.

17 BUSINESS SCAMS TO AVOID AT ALL COSTS

4. Voice-mail access scams. The remote access features of Private Branch Exchange (PBX) systems can be cracked by hackers—who can then run up thousands of dollars in long-distance charges in a short period of time. Monitor your phone bills closely and change the authorization numbers often.

5. Dummy invoicing. Your business may receive a “look alike” invoice for a product or service that it regularly orders, such as local media or Yellow Pages advertising. Thinking the bogus bill is valid, you may pay it. Be sure to set up systems for invoice verification and approval.

6. Toner phoners. An employee, usually an assistant or receptionist, gets a call from a company posing as your office supply provider. The scamster asks him or her to verify the make and model of your copier, then sends inferior and overpriced supplies that were never ordered, using the employee’s name and the acquired copier information as proof of the order. Your company is billed an exorbitant price, and the scamster uses high-pressure tactics, such as the threat of legal action or a collection agency, to get paid. You should tell employees never to answer questions about your company’s equipment over the phone.

7. Government document dupes. In this scam, you receive an official-looking document that leads you to believe you must purchase signage, such as minimum wage declarations, and display it by law. But in most cases, signage that’s mandated by law is available for free from the government. In another twist, the BBB confirmed that a number of Alabama-based restaurants received demands from the “Environmental Protection Enforcement Agency” to fill out a lengthy questionnaire and return it with a fee of \$189 or risk being fined \$5,000 per day. If you get an official-looking document demanding money, call the state or federal agency referenced in the document to verify the demand is valid.

8. Phony customer con. Here, a scamster sends a letter posing as a disgruntled customer and demands a refund for a nominal amount. Because the amount is so small, many business owners send it without question. To avoid being ripped off, follow up on such requests with a call to verify that the customer is real or ask the customer to send a copy of the receipt.

9. Business identity theft. Immediately following the World Trade Center disaster, hundreds of thousands of confidential papers were strewn about the streets of Manhattan, many from brokerage firms and other places of business that house sensitive information. If this informa-

tion were to get into the wrong hands, some of it could be used in identity theft scams against both businesses and individuals.

You should closely monitor bills and watch for erroneous charges. On a daily basis, follow basic precautions to guard against identity theft, including destroying business credit offers before discarding them. Safeguard important information such as tax identification and bank account numbers, and watch for change of address notices from credit companies or other vendors.

10. Energy shocking. Similar to phone service “slamming,” shocking is the practice of switching energy service without permission in states where energy deregulation allows for a variety of service providers. The BBB advises that companies check their bills monthly for irregularities to safeguard their power sources.

11. Copier service scheme. In this brazen scam, the con artist poses as a service technician for your office equipment. Once he gains access to your copier or other expensive machinery, he then substitutes an inferior machine or steals the office equipment altogether. Always ask service technicians for identification, and if they show up unannounced, call your provider to double-check the technician’s identity.

12. “Cash a check, get a bill” con. In this scenario, businesses receive nominal checks in the mail resembling rebates or refunds. However, the check has fine print on it that says cashing it authorizes the issuer to bill the business for a product or service, change long-distance carriers and so on. Review all checks and their point of origin. If it seems suspicious, don’t cash it.

13. Fake directory/CD-ROM ruse. A telemarketer uses high-pressure tactics to get the business owner or employee to participate in, and then purchase, a directory or CD-ROM that never materializes. While there are a number of reputable directory publishers, always ask to see documentation of the company and the product in writing, and check with the BBB to see if any complaints have been filed against the publisher.

14. Invalid insurance. Businesses that receive questionable insurance bills or phone solicitations to buy insurance should beware of con artists selling or billing for phony policies. Buy insurance only from reputable brokers or companies, and verify invoices before paying them.

15. Advance-fee loans. It’s not unusual for cash-strapped entrepreneurs to fall for the promise of a loan that’s “guaranteed” once a processing fee or other fee is received. Once the business owner sends the

17 BUSINESS SCAMS TO AVOID AT ALL COSTS

fee, which can total up to several thousand dollars, the loan never materializes. Businesses should only conduct financial transactions with trusted institutions and never send an advance fee for a business loan.

16. Domain registration rooks. Scam artists try to sell new top-level domain names, such as .biz and .info, before the names are available for assignment, and usually at a highly inflated price. Be sure to register using a reputable service such as Network Solutions or Register.com.

17. Phony Web site scams. You're promised a free Web site and a month of free hosting. Once you give your credit card information, though, you never hear from the provider again. Protect yourself by only doing business with one of the many established and reputable companies that provide this service, asking for references and, if possible, using a credit card for payment to protect yourself from liability.

25 Bargains That Will Make Your Business Better

There's an old saying: You have to spend money to make money. Luckily, it turns out there are a number of ways to spend a little but gain a lot. From marketing to sales, from employees to equipment, here are 25 tips to better your business for under \$1,000, and in some cases, for almost nothing at all.

1. Offer time off. Offer a high-performing employee a paid day off for a job well done. It may cost you anywhere from \$50 to \$120, but you'll be rewarded with a happier employee.

2. Consider a co-promotion. Cut marketing costs by trying a co-promotion, where you split the cost of sponsorships, bill stuffers, fliers, newsletters and ads with another local business. A co-promotion works best when it ties together businesses that share the same target audience. By partnering, you'll have options that would otherwise be too costly.

Jeff Votja is co-owner of Raleigh, North Carolina-based Stockton Graham & Co., a coffee roasting company and specialty beverage wholesaler. One of his co-promotion tactics is to split the cost of trade show booths with his vendors. They also share the cost of printed materials and staffing at the events. "We generally save at least half the cost we'd expend otherwise," he says. "It's very effective."

3. Treat with sweets. Springing for bagels and muffins on Fridays, mochas on Mondays or birthday cakes for employees are all inexpensive ways to make people feel valued. Food is a "nonverbal way of communicating to employees that they're important," says Alex Cone, CEO of CodeFab Inc., a technology firm in New York City. Cone spends \$200 a month on bagels, birthday cakes, coffee and sodas for employees—small expenses that go a long way toward increasing employee satisfaction. "It doesn't cost that much, and it's good for employee morale," says Cone, who adds that employee turnover at CodeFab is low. "Budget the luxuries first, or you'll never get around to them."

4. Make customers' lives easier. Why not invest in technology that makes it easier for customers to buy from you? One option is Telecheck's Eclipse Terminal, a small, countertop device that lets you enter checks electronically and scan credit, debit and EBT (Electronic Ben-

25 BARGAINS THAT WILL MAKE YOUR BUSINESS BETTER

efit Transfer) cards at the point of sale. Funds are delivered electronically to your account two business days later. Hypercom offers a similar terminal, and eFunds and International Check Services offer their own e-transaction options. Another benefit: Many of these products scan account databases for problem customers before purchases are made.

You can make life easier on your Web site, too. Consider adding a service such as PayPal, a real-time, encrypted online service that allows customers to securely enter their credit card numbers online. Under its standard plan, PayPal charges merchants a small percentage of each sale plus about 30 cents per transaction.

5. Be a joiner. Spend \$600 to \$700 to join a few business groups and generate new leads. Annual membership costs can vary, but the rewards—gaining new clients and meeting peers, among others—are big. If you can't afford to attend conferences, as a member, you'll still be able to take part in the group's online chat groups, write articles for the newsletter and get involved in your local chapter.

6. Ask for some feedback. It always pays to know what your customers are thinking. One product, SurveySolutions by Braintree, Massachusetts-based Perseus Development Corp., helps you create single-page surveys to be distributed by e-mail or posted on your Web site. For \$229, the company collects all responses from a survey, tabulates them and summarizes them in a report. "Small businesses fear that one unhappy customer means there are seven others," says Jeffrey Henning, co-founder and COO of Perseus. "This is a way to be proactive." You can use surveys for market-testing new product ideas, too.

7. Visit your local Small Business Development Center (SBDC). Need business advice but can't afford a private consultant? Then check out your local SBDC. There are 1,200 SBDCs across the United States where consultants dispense advice to entrepreneurs. Low-cost workshops in franchising, business planning and marketing are also available. For a location near you, check out the organization's Web site at www.asbdc-us.org.

8. Buy a digital camera. Today, even the most expensive digital cameras cost less than \$1,000, and you can find some for \$300. A digital camera is a handy marketing tool. In a matter of minutes, you'll be able to e-mail your customers and suppliers crisp photos of your product line, produce digital images for use on your Web site, and create photos for fliers without hiring a costly photographer.

9. Create an advisory board. An advisory board of unbiased business peers is a cheap way to get feedback without the legal entanglements and cost of a board of directors. “Advisory boards are one of the world’s best-kept secrets,” says Ray Silverstein, founder and national director of Chicago’s President’s Resource Organization, which helps entrepreneurs create and run advisory boards. Payments are negotiable, and the rewards are great. “You can negotiate a fee or just take them out to dinner,” Silverstein says.

When creating an advisory board, look for four or five people whom you not only trust but who collectively can help you find money, introduce you to customers, mentor your managers and review your ideas. “These are people who have political power to bear. They can open doors,” says Betsy Atkins, who sits on the advisory boards of a few companies and is also CEO and president of Baja LLC, an independent venture capital firm in Coral Gables, Florida. “They can also help you fine-tune your business plan.”

10. Get more security-conscious. Feeling a little insecure lately? It might not be a bad idea to upgrade your security system by installing a few security cameras and deadbolt locks. RadioShack carries a wireless security system including a camera and monitor that, at press time, was selling for under \$200.

If you’re a do-it-yourselfer, another option is Marlon P. Jones and Associates (www.mpja.com), a Lake Park, Florida, company that sells inexpensive high-tech parts and gadgets. You can get a wireless security camera for as little as \$200. Deadbolt locks retail for anywhere from \$7 to \$35.

11. Get together. You’re good at 10 of the 20 things a client wants you to do. Why not team up with a trustworthy competitor or peer company for this business deal? For Russell Murray, founder and CEO of Watts Up Inc., a technology and consulting firm in Ossining, New York, starting a joint venture last year with peer company Savvy Networks was a way to offer clients a full solution. “It gave us teeth right away,” says Murray. “We’ve had a few deals close because we were in a joint venture.” It’s also meant savings in staffing, because both companies can pool their employees for certain projects. He suggests researching your local landscape for a compatible partner. “Think about what you’d like to offer clients that you can’t offer right now,” he says. “And have confidence in your partner beforehand.”

25 BARGAINS THAT WILL MAKE YOUR BUSINESS BETTER

12. Cut energy costs. “Business owners are telling us they’re having to lay people off because energy costs are going up,” says Darrell McKigney, president of the Small Business Survival Committee, a non-profit advocacy group in Washington, DC. Besides turning off unused office equipment, there are other low-cost investments you can make to lower your electric bill. Switching to fluorescent bulbs (about \$10 for two bulbs), adding some new weather stripping (about \$15 per door or window), and insulating your water heater (under \$40) are affordable options that can make a difference. You’ll find more energy-saving tips at www.eren.doe.gov/energytips/handidea.html.

13. Get a toll-free phone number. Give customers an added incentive to ring you up. Long-distance carriers like AT&T, MCI and Sprint all offer toll-free services based on a \$5 monthly charge and a per-minute fee that averages under 10 cents a minute in most states. An added bonus: AT&T, MCI and Sprint don’t charge set-up fees for their toll-free services.

14. Try co-op advertising. Did you know that many major manufacturers and wholesalers will pay a portion of your advertising bill if you’re selling their products? Cooperative advertising can cut your display advertising costs in half. Contact manufacturers to see if they offer co-op advertising dollars and how you can take advantage of them. “A lot of [manufacturers] are going to be interested and have something set aside,” says Pat Bishop, co-author of *Money Tree Marketing: Innovative Secrets That Will Double Your Small-Business Profits in 90 Days or Less* (AMACOM). “It will come back to them in higher sales.”

15. Make a trade. Consider a bartering, or “on trade” arrangement, where products or services are traded in lieu of a cash payment. Limited bartering agreements can reduce everyday cash costs. “In the small-business world, [these arrangements are] common,” says Rich Squar, founding partner of Squar, Milner, Reehl & Williamson, an accounting and financial advisory firm in Newport Beach, California. A small bakery, for example, might provide free coffee to the employees of the ISP down the street in exchange for the cost of a monthly Internet connection.

But Miller warns entrepreneurs not to let things get out of control. “There are lots of cases where you can get in over your head,” he says. “The key is to use [bartering] wisely and conservatively.” You might try aiming for bartering arrangements that are 80 percent cash, 20 percent trade. Also, you must carefully quantify and record every exchange just

as you would your sales, because the fair market value of each service or item is taxable income that must be reported on federal and state returns. Ask your accountant about the tax ramifications.

16. Throw away that 56K. Imagine downloading Web sites at 2Mbps without ever getting disconnected or tying up one of your phone lines. These days, having a lightning-fast Internet connection is the key to productivity. Luckily, fast connections are getting more affordable. Roadrunner, Time Warner's cable modem service, offers business packages for an installation fee of \$149.95 with monthly charges starting at \$79.95. AT&T Broadband and Cox Communications offer their own broadband services, and you can call your phone company to find out about DSL.

17. Be more fulfilling. Setting up a daily pickup account for your shipments isn't as expensive as you might think. UPS has a weekly service charge of \$7 if you spend more than \$50 a week on shipments, or \$11 if your shipments are under \$50 a week. There are no fees to start a UPS account, and you'll get free online value-added services like UPS WorldShip, which lets your customers track their UPS packages using your Web site. Also check out FedEx's online service for growing businesses. Sign up for free, and you can print out your own labels, schedule pickups and, like UPS, let customers track their packages on your Web site. Shipping rates vary, so call the two companies and compare prices.

18. Have an open house. People will crawl out of the woodwork for free food and drinks, so why not host an open house? It's an inviting, low-key way of marketing your company for as little as \$150. For extra cost savings, go with affordable items such as soda, cookies and chips, and use e-mail instead of formal invitations to announce the event. Take the opportunity to give a brief talk about what you do. It'll put a human face on your company and may bring you a few new clients or projects.

19. Start an employee suggestion box. Entrepreneur Mike Adams created a suggestion box out of an old coffee can and is motivating his employees to write nice things about each other by offering a prize drawing at the end of each quarter. "I'm collecting quite a few suggestions," says Adams, founder and CEO of Arial Software, a developer of permission-based e-mail marketing software in Cody, Wyoming. He's already spotted hidden skills in his employees. He recently learned one employee is an expert in Photoshop but wasn't using the skill at work until she quickly touched up a digital image one day. A co-worker noticed and put a nice note in the suggestion box. "I had no idea she had image-

25 BARGAINS THAT WILL MAKE YOUR BUSINESS BETTER

editing skills,” Adams says. “Now I know who to turn to.” In the process, Adams lets his employees shine while forgoing expensive consultants. “[A suggestion box] gets around the gulf between management and staff,” he says. “It’s a great idea.”

20. Become a moving billboard. Buy a few magnetic car signs that include your company name, phone number and Web site address. It’s a strategy that’s working for Debbie Patt, owner of Clarendon Cheesecakes in Clarendon, New York. After Patt spent \$112 on two magnetic signs last year, she got 400 extra hits on her Web site in a 24-hour period. She estimates that at least 10 percent of her sales are a result of the magnets. “The cost is small, the same as a single ad in the newspaper. But these signs are permanent,” she says. Not to mention, perpetually moving. “People will say, ‘I saw you on the thruway yesterday,’” Patt says, adding with a chuckle, “Every time I go somewhere now, I try to take a different road for maximum exposure.”

21. Raise your profile. Looking for a way to market yourself while gaining credibility at the same time? Volunteer to speak at local business events. You’ll promote your company and build your reputation, usually for free. Try volunteering to speak in front of groups where you are a member. Also look for groups that have a speaker’s bureau that will refer you when someone needs a presenter. Start by checking out The Speakers Bureau (www.speakersbureau.com), a Minneapolis organization that connects speakers with groups on a wide variety of speaking topics. If you’re speaking about a topic you already know about, it won’t take you much time to prepare or cost you anything. So get the word out that you mean business.

22. Go logo loco. Update your business image by investing in a new logo. It’s not too expensive. “If you hire a graphic artist, they may charge anywhere from \$200 to \$400,” Bishop says. Or try this cost-saving tip: Hire a graphic arts student. You pay less, and the student gets a work sample for his or her portfolio.

23. Get more Web-savvy. A survey of 3,500 companies by Forrester Research recently revealed that 48 percent were already Web conferencing and 70 percent intended to be doing so by the end of 2002—a figure that may grow even more now that people have increased fears of traveling. “The trend has been there. But with the September 11 events, it’s going to get a further boost,” says a senior analyst for Forrester Research Inc. in Boston.

Look into options such as streaming video, a digital connection that lets

you use your PC to see people and talk to them. It's cheaper than phone videoconferencing. First Virtual Communications' CUseeMe (approximately \$40) and Microsoft's NetMeeting (Version 3 comes bundled with Windows 2000) are just two software options. Besides installing the software, you'll need a PC camera (most retail for under \$90) and a fast Internet connection. Another point: Forrester estimates 46 percent of Fortune 500 companies are using instant messaging to communicate with clients and suppliers.

24. Get subscription-based. Subscribe to magazines, trade publications, newspapers and Web sites that cover your industry. For a few hundred dollars a year, you'll learn what the competition is up to, what trends are on the horizon, and what conferences are taking place. Another benefit: These subscriptions are tax-deductible.

25. Be resourceful. Free business resources abound online. The IBM Small Business Center (www.ibm.com/smallbusiness) offers free advice from small-business experts as well as articles and papers on technology. The SBA's Web site (www.sba.gov) has a plethora of free advice, including an online library where you can read up on rules and regulations and find out about loans. Another site run by the Kauffman Center for Entrepreneurial Leadership (www.entreworld.org) carries articles as well as advice on starting and growing your business. Entrepreneur.com (www.entrepreneur.com) is just a click away, too. So take advantage of these resources, and help your business blossom.

7 Ways to Be More Optimistic

1. Change your body language. Use straight posture, take bigger steps and walk faster. “You need to straighten out your body before you straighten out your head,” says Michael Mercer, a business psychologist and co-author of *Spontaneous Optimism* (Castlegate Publishing).

2. Think of solutions, not problems. Focus on what you want, not on what you don’t. Focus on how you want to grow your business, not on how you might fail. “You can only have one thought in your head at a time,” says Mercer. “So make sure that one thought zooms in on solutions and what you want in your life.”

3. Speak in a cheerful voice. People feel better emotionally when they use a sparkling tone.

4. Use upbeat words; avoid upsetting words. Instead of saying “I’m overworked,” say “I’m ambitious.” When you feel “tired,” say you’re “recharging.” Don’t use the word “hyper”; replace it with “I’m very alert.”

5. Avoid emotional vampires. “It’s hard to stop people from stepping on you if you keep lying down under their feet,” says Mercer. “If entrepreneurs feel someone is trying to suck the enthusiasm out of them, they have to realize they’re letting them do it.”

6. Stop using the words “try” and “but.” According to Mercer, research proves that underachievers use those words eight times a day, while high achievers use them only once a day.

7. Be an exemplary role model for everyone around you. How? Follow the first six tips and you’re well on your way.

7 Ways to Reward Employees When Your Budget Is Tight

Happy employees are more productive employees. The power of that happiness was made clear by a Sears, Roebuck and Co. survey of 800 stores that showed when employee attitudes improved by 5 percent, customer satisfaction rose 1.3 percent and revenue grew 0.5 percent. In a tight economy, many business owners believe they don't have the means to make their employees happy because they can't increase their salaries. While all of us want and appreciate salary increases, money is not the only, or even the best, motivator. According to several studies, as long as we're paid competitively, or even close to competitively, the money issue is not the deciding factor in whether we remain at a job and how enthusiastically and competently we do that job. So if you're looking for ways to let your employees know they're doing a good job, here are some tips for rewarding them even when you're on a tight budget:

1. Personally thank an employee for a specific job well-done. Specify what was good about it and why you appreciate it, which tells the employee you do pay attention. For example, say: "Thank you, Jim, for organizing that XYZ project so well. You made it very clear what should happen, when and why."

2. Put that specific praise in a letter or thank-you note. When you take the time to write something down, you clearly value it. This makes the praise even more meaningful. When appropriate, copy the employee's managers on your praise letter. Sharing the praise with management lets the employee know you support his or her success at your company.

3. Provide as much information as possible about the company. Share as much as you can about how the company is doing, where it's making money, where it's losing money, how its products are doing in the marketplace, what new initiatives are being considered and why, and how your employees can best contribute to these efforts.

4. At every opportunity, include your employees in the decisions you make. In many cases, your employees understand a side of an issue that you may not. If you need to create a more efficient delivery system, ask your delivery staff how they would improve the current system. If you want to improve work flow for support staff, discuss

7 WAYS TO REWARD EMPLOYEES WHEN YOUR BUDGET IS TIGHT

with your secretaries and clerical workers how to best keep the work flowing. Use their ideas, and give them credit for them.

5. Give employees the opportunity to learn as many new skills as they're able to. Most people like to learn, to grow, and to improve their marketability, and the more skills you enable your employees to learn, the more they'll value their position with you. Cross-train whenever possible so employees know each other's jobs. An added benefit is that employees who understand the realities of one another's positions are more willing to cooperate and feel more like members of the same team.

6. Celebrate successes. Celebrate an employee's successful completion of a project, a salesperson's landing a big client, your company's improved sales figures, your organization's successful year-end. After a particularly tense week, bring donuts and coffee and gather everyone together to applaud a hard-working team. Provide balloons and noise-makers for a rousing chorus of cheers for the completion of a difficult project. Buy a plastic crown at a party store to place on the head of an employee who mastered a difficult skill or finished a course of study. Mark the successes of your staff and celebrate them. Don't be afraid to be goofy in your celebration; it's a refreshing change from hard work.

7. Provide free time and flexibility. Set aside an hour here and there for employees who have delivered an extra level of work. Make it clear that the free time is a reward for a specific accomplishment, such as finishing a challenging project or delivering their month-end reports early. Alternatively, you can reward all your employees together, for example, by letting them leave an hour early to miss rush-hour traffic on a day of expected heavy traffic. Give extra time for lunch to an employee or team who has worked through lunch to deliver something to a client. Allow time off for personal or family responsibilities.

Admittedly, these rewards are not entirely free. They require time and energy to implement, sometimes a few dollars for donuts or a plastic crown. However, your investment will be rewarded by happier, more dedicated employees who make it their job to make you and your company more successful. It's a classic win-win situation.

8 Easy Ways to Find Out If That Bank Is Right for You

If there's a list out there of entrepreneurial frustrations, selecting the right bank is somewhere near the top. For good reason, too: Not all banks make it a point to reach out to small businesses. So where do you look, and what do you look for? Try these eight secrets to success:

1. Meet the commercial lenders or relationship managers you might be working with. Large banks are often divided into two sectors: commercial banking and retail banking. Retail banking usually focuses on personal accounts. Commercial banking is often segmented into three parts: small business (less than \$3 million in sales), midmarket (\$3 million to \$20 million in sales) and large business (more than \$20 million in sales). Occasionally, large banks will attach their small-business lending unit to the retail banking division. The point? Find out which bank department best fits your company's needs. Then you're ready to meet with the right people.

2. Find out if the bank classifies your industry as undesirable. This isn't common knowledge among a bank's staff. You'll have to get it directly from the small-business banker. He or she may feel uncomfortable with the subject matter, so make it easy by saying something like, "In your bank's loan policy manual, in the section titled 'Undesirable Loans,' is my industry listed?"

3. The bank must understand your industry—no exceptions. Every industry has certain characteristics not commonly understood. When bankers don't understand how an industry operates, they don't understand how they'll be repaid. And when bankers don't understand how they'll be repaid, they decline loan requests.

4. Make sure the bank is small enough. Only then will a banker take time to spell out the requirements. You should be able to ask questions—and get answers—about loan-to-cost, cash-coverage ratios, how they calculate the debt-to-income ratio of entrepreneurs and more.

5. Determine if the bank is large enough to accommodate your needs. Every bank has a legal lending limit based on its equity. So a bank with less than \$100 million in assets may not be able to

8 EASY WAYS TO FIND OUT IF THAT BANK IS RIGHT FOR YOU

accommodate a small manufacturer with \$5 million to \$10 million in sales.

6. Make sure loan requests for your business are underwritten locally. Here's why: Let's say a business in Jacksonville, Florida, delivers its loan application to the local branch. Several days later, it receives a letter of decline in the mail. When the business owner later questions the branch manager, he or she learns that all small-business loans are actually processed in Tampa, Florida, and that there's no one there to answer questions.

7. The bank must be looking for smaller customers. These days, a growing number of niche banks aim to deal exclusively with small businesses. It also helps to ask around and find out which banks other entrepreneurs are using.

8. Start with the bank that handles your deposits. But if it turns out not to be friendly to your business's needs, it's time to move on to one that is.

7 Steps to Preparing to Look for Expansion Capital

Raising venture or angel capital is a lot like painting a room: The actual painting is the final step. What takes the most time is prepping the job—getting rid of old wallpaper, patching, sanding and cleaning. So before you pick up the phone and start dialing for dollars, think about the prep work required to do a good job and be successful. Not sure how to start? The following steps will help.

1. Sharpen your focus. First and foremost, you must set your sights on finding what is called a lead investor. When you're raising money, you can find lots of investors willing to participate for small amounts of your deal. That will ultimately prove troublesome, however, because each investor will demand different terms and conditions, and in the end, the entire effort may consume more time than it's worth. By contrast, a lead investor is a marquee venture firm, investment banker or angel investor that's willing to kick in from 25 to 100 percent of the raise, i.e. real money, and that, by its very presence in the deal, gets all the fence-sitters and small fries to come in as well. When you're raising money, you must focus on finding your lead investor to the exclusion of any others.

2. Form an advisory board. For better or for worse, a good number of deals that reach the closing table get there because of personal relationships somewhere along the line. Forming an advisory board decreases the degrees of separation between you and your potential investors by increasing the likelihood that one or more of the industry notables on your board has a relationship with, or is at least known to, your investors.

Not sure where to look? Contact the executive director of your trade association, and ask him or her who might be willing candidates to advise and counsel your company through a critical period of growth and expansion.

Advisory boards can be toothless entities, or they can be extremely helpful to a company's development. One way to make them work better is to pay your advisory board members a fee for attending quarterly meetings. Once you've got them paying attention in a constructive manner, you'll find it's a very natural process for them to check their

7 STEPS TO PREPARING TO LOOK FOR EXPANSION CAPITAL

Rolodexes when you bring up the subject of raising money.

3. Secure legal counsel. The act of raising money almost always brings securities laws into play, which means you'll require the help of a lawyer. Hire one early in the process because he or she can help make introductions to the sources of capital you seek--retaining counsel gives you access to the attorney's Rolodex and provides entrée to more potential investors. In addition, your attorney's name will (hopefully) dress up your business plan and, like the advisory board, provide a personal link between you and your investors.

4. Figure out your sizzle. When investors ask what your company does, they don't want the five-minute soliloquy entrepreneurs typically give them. They want something short and sweet. The following description is a real yawner: "We provide solutions that enable our customers to achieve a substantial time-to-market and business flexibility advantage compared to companies that use traditional Web-based software application development tools . . ." Instead, try: "We make software that puts real economy in the New Economy," and see if the conversation doesn't go in a more productive direction.

5. Have a business plan and an executive summary at hand. If you're on the line with investors, there's a good chance they'll ask you for your business plan. You'd be wise to have it ready to go so you can send it out immediately. Another important reason to have a business plan available is that it forces you to think through the sort of nettling issues that investors raise, because they could start asking you all kinds of questions while you're on the phone. And you just won't be able to answer them with any degree of clarity or conviction unless you've gone through the discipline of writing a business plan.

Keep in mind, you shouldn't send your full business plan out to investors, even if they ask for it. Send an executive summary instead, and include summary projected financials. When you make follow-up calls, the trick is to make sending your full business plan a condition of meeting face to face. Here is how the call goes: "I appreciate that you want to see more based on our executive summary. I'll send you our plan, but only under the condition that you agree to meet with me in person so I can present it to you."

Of course, the investor might want to meet with you after reading just the executive summary. But as great as that would be, it doesn't obviate the need for writing the plan and deriving the benefits that would result

from that exercise. Besides, your next investor might not be satisfied with only the executive summary.

6. Line up references. Who can vouch for your character? Former employment? Products or services? The time to find out is before you contact investors, not after. The reason is simple: If, during your initial conversation, the investor asks to speak with customers or other references, you want to be able to spit out names and numbers right away, not say “I’ll get back to you.” You may be able to get the references sure enough, but the question is, Will you be able to get the investor back on the telephone again? Your best bet is to call your allies ahead of time, tell them they might get a call, let them know what it’s about, and, if it’s practical, guide them toward what they should say.

7. Get warm-body introductions. Raising money privately is probably dependent as much on personal relationships as it is on the underlying economics of the deal. As a result, you might identify a list of likely investors, but before you try to contact any of them, you need to work at getting some kind, any kind, of introduction. This personal introduction will lower their guard long enough for them to hear out your pitch. Again, here’s where advisory boards and the professionals you’ve retained can render invaluable assistance. Obviously, you can’t get the Good Housekeeping seal of approval for every investor, but some kind of introduction, no matter how distant, will dramatically increase your ability to get through to the people with money.

6 Lies You Should Never Tell an Investor—and What You Should Say Instead

Lie #1 “Our patents provide a significant barrier to entry.”

Guy Kawasaki, founder and CEO of venture capital investment bank Garage Technology Ventures and the author of numerous books on growing your business, says that isn't the case. “Investors who are going to put real risk capital on the line have a larger interest in your ability to execute than they do in your attorney's ability to duke it out in court,” he says. That's a point well-taken. So remember, the investor makes money when you make money. And when you're in court, you're not making any money.

So, the reasoning goes, investment capital is going to follow companies that have actual plans to get their products or services out in the market, not the ones that have figured out how to prevent the competition from gaining a foot-hold. “If your idea is so good that it makes money,” says Kawasaki, “others will follow and determine ways to get around the ‘protection’ of your patent.”

A Better Spin “Our patents will buy some valuable time to establish ourselves in what we feel is a very viable marketplace.”

Lie #2 “The household-name technology companies are too big and slow to threaten our market.”

When he hears this one, Kawasaki doesn't know whether to be angry at the entrepreneurs' arrogance or frightened by their naivete. “Whatever the root cause, it's still a lie,” he says, “because if that's what entrepreneurs really think, they're not being truthful with themselves.”

In fact, even the most casual observer of trends in the business world must realize that Microsoft's biggest problem is the antitrust actions that it's instigated by more or less cornering the market for desktop application software. In no uncertain terms, large companies are definitely forces to be reckoned with—wounded or not. “None of today's giants got to be where they are by being battleships in a bathtub,” says Kawasaki. “They're lean, they're mean, and they deserve respect.”

A Better Spin “We understand that Sun Microsystems (or Oracle or Intel or SAP) might enter our market, but we feel if we establish a reputa-

6 LIES YOU SHOULD NEVER TELL AN INVESTOR—AND WHAT YOU SHOULD SAY INSTEAD

tion for quality early on, they would see us as a buyout candidate rather than a bug to be squashed.”

Lie #3 “We’re doing a deal with AOL.”

“We all are,” says Kawasaki. “But the fact of the matter is, it’s not a deal until there’s a signed contract. And there are far fewer of those than there are ‘negotiations underway.’”

The corollary is that agreements with larger companies aren’t the panaceas entrepreneurs might like investors to think they are. The fact is, a big company with large legal, marketing and development resources can dither away your very limited resources even when they’re attempting to be your ally. It’s wrong to think any one agreement is the silver bullet to wealth.

A Better Spin “We may have an agreement with the world’s largest player in this arena. It’s important, but it’s not the destiny of this company. We think our idea will succeed regardless of whether we’re in partnership with them.”

Lie #4 “Our projections are conservative.”

If you’re new to the arena of raising money, there’s only one joke about projections in a business plan. It goes like this: Every plan is right on. It shows next year’s expenses and last year’s revenues.

“What entrepreneurs sometimes fail to grasp about the financial projections exercise,” says Kawasaki, “is that it’s not a test of future earnings per se. Investors know you aren’t going to make the numbers. But they pay close attention to the projections because it gives them a window into what you’re thinking: where you want to take the company, what you think it will take to get there, and how well you understand what it takes to sell in your industry.”

A Better Spin “These projections are our best estimate of what the future could look like. And there are some developments underway that make us feel very good about these numbers.”

Lie #5 “We only need 1 percent of the market to make us profitable.”

OK, let’s follow the logic here. Say we’re talking about the aerospace industry. Getting 1 percent of the market isn’t easy because the market is so complex. There are business jets, cargo planes, fighter jets, military transport, passenger jets and so on.

It isn’t just aerospace. The market for any product or service is so fragmented and specialized that talking about 1 percent really isn’t intellectu-

ally honest. “Nor is it particularly constructive thinking,” says Kawasaki. “Who wants to back a company that only wants a tiny fraction of the market? Tell me who you’re taking the point from, because that’s who I want to fund.”

A Better Spin “We’re operating in a very big market. But because of our experience, we’ve been able to segment it down into a niche where we can easily see all the boundaries and take a big slice of that pie.”

Lie #6 “My attorney says I can’t talk to you unless you sign a nondisclosure agreement.”

Many entrepreneurs are afraid to say, “I don’t trust you,” so they make it sound like the directive comes from counsel. Kawasaki would go one further and say that no matter whose rule it is, it’s a bad one. “If you’re trying to raise money, you’ve got to talk, not keep secrets,” he says.

In a departure from what you may have learned is safe business, Kawasaki says entrepreneurs who insist that investors sign nondisclosure agreements just don’t understand the rules of engagement. “Investors aren’t in the idea business,” he explains. “They’re in the implementation business. They fund management teams to execute on ideas. Many teams can have the same idea, but it’s the best team that gets capital.”

The exception to this rule might occur with respect to a corporate venture capital investor—like a business that makes software but also makes investments. Such an entity can execute on ideas, so exercise a little extra caution when approaching them.

A Better Spin “I probably don’t need to tell you that what we discuss here is confidential, so I don’t mind answering any of your questions. However, if there are any companies like ours in your portfolio, I need to know ahead of time who they are and how I’m protected from the possibility of sensitive information about us getting to them.”

14 Tips to Help You Tackle Your Next Overseas Trip

Taking your business global can translate into lots of travel. Unfortunately, braving long lines at the airport, chasing lost luggage and enduring bland in-flight meals are only half the challenge. There are foreign languages and customs that must be understood before your new partners sign on the dotted line--never mind all the paperwork worries: passports, visas and other documents you need in order to do business in a foreign land. So how do you keep your head when you're on the road? Here are 14 tips:

1. Avoid hot spots. They're everywhere you don't want to be. "Know which cities are safe to walk around in at night," advises Atlanta media consultant and business traveler James Caruso. Check with the government's Consular Information Sheets and the U.S. Centers for Disease Control to steer clear of any dangerous areas. Private organizations such as Kroll Information Services (800-824-7502) also offer reports on global hot spots.

2. Know your airlines. Code-sharing can confuse even the most seasoned travelers. This is when your ticket is issued through one carrier, but the flight is shared with another carrier, and may even use the other airline's plane. This doesn't usually make a lot of difference unless you're counting on a particular service or amenity. For example, you might pack a power adaptor that fits the outlets on a U.S. carrier but end up on its European code-share partner without the correct plug. Or, if you're counting on a favorite meal on a particular flight, you might have to go without.

One major downside to code-sharing is that sometimes there are dramatic price differences between tickets for the same flight. One travel site's consumer advocate found that for one particular flight, a ticket that cost \$1,050 if you bought it through Continental was just \$209 if you bought it through code-share partner Northwest.

3. Phone home first. Rent a cell phone before you leave. Depending on which country you're traveling to, using a rented cell phone is probably less expensive than using the phones at your hotel. Checking with an expert before you leave will also ensure you'll have the right cellular for the country you're in. Note: Most of Europe and Asia is on the GSM (global system for mobile communications) network, and their

14 TIPS TO HELP YOU TACKLE YOUR NEXT OVERSEAS TRIP

phones operate on a frequency that is incompatible with the majority of U.S. mobile phones.

4. Use the Web. The Internet is an excellent resource for business intelligence. Whether it's a pre-trip briefing using financial data from a service such as Dow Jones Interactive or a random Internet search for the best restaurants in an international city, logging on beforehand can help prevent problems. "You'll know what to do before you get there," says Malcolm Kaufman, CEO of online business travel service ontheroad.com. The Internet is also a must-have tool for making lightning-fast airline, hotel and car rental bookings when your travel agent is unavailable.

5. Brush up on the language. New programs can help you learn to speak like a native. Berlitz Passport to 31 Languages, a CD-ROM tutorial that helps you grasp the essential elements of 31 major languages, is a great crash course. With the help of a microphone plugged in to your PC, the multi-CD set compares your speech to that of a native and lets you hone your pronunciation until you sound like you fit in. The set costs about \$30. For more in-depth language study, Berlitz also offers CDs that teach you a single language.

6. Hedge your bets. Offset the risks of travel with adequate insurance. Traveling may be expensive, but insurance to protect you and your business in case you get sick on the road generally isn't. Figure on spending about \$100 per year for the most comprehensive coverage. "People often don't buy insurance, and then they get hit with a large bill—anywhere from \$30,000 to \$50,000—if they need to be airlifted out of a country and brought back to the United States for medical attention," says Dr. Jeffrey G. Jones, director of the St. Francis Travel Medicine Center in Indianapolis. Here's an insider tip: Insuring your entire company or family is often cheaper than buying coverage for an individual.

7. Get your shots. This will keep you from getting sick on the road and having to use that travelers' insurance. Researching a country's endemic diseases is extremely important, says a spokesperson for online pharmacist CVS.com. Because certain immunizations require more than one dosage to ensure effectiveness, travelers should allow at least 30 days before their trip to secure all necessary shots or medications. If you've never been a frequent flier, it's a good idea to see your doctor for a checkup, even if you're traveling to a well-developed country.

8. Pack like a pro. If you're going to live out of your suitcase, at least make it livable. Buy a durable carry-on bag, and invest in industrial-

strength luggage. Never put all your important travel documents in a single bag; spread the risk among all your luggage. For clothes, you might try folding shirts and blouses into gallon-size freezer bags--they won't get as wrinkled as they would if you just folded them and put them in your suitcase. And stuff your socks in your shoes. It conserves space.

9. Stay sane on the plane. Don't board a flight without the following items: a carry-on bag packed with a sleeping mask, earplugs, saline solution (if you wear contact lenses), moisturizer, lip balm, pain reliever, bottled water, a snack and, of course, something to keep you busy (a book or paperwork). Cabin air is bone dry, so above all, don't leave out the liquids. Drink lots of fluids, and stay away from caffeine and alcohol--they both dehydrate you. And try noise-canceling headphones. They really work.

10. Behave yourself. International airlines are cracking down on passengers who misbehave. Virgin Atlantic Airways chairman Richard Branson has supported a plan to blacklist potentially dangerous "air rage" passengers from flights, and Vereinigung Cockpit E.V., the German pilots' association, has suggested parceling out nicotine gum to smokers who get cut off from their cigarettes. The group also wants to limit the number of alcoholic drinks served to passengers.

11. Get connected. Don't suffer without e-mail while you're on the road. A few years ago, you could afford to take a break from your inbox--but no longer. The Europe Access Pack from 1-800-Batteries all but guarantees you'll make a connection. The package includes 15 telephone adaptors and four grounded power adaptors, plus an in-line telephone coupler, a Modem Saver International, a polarity tester, a two-line telephone tester and a 10' RJ-11 retractable phone cord. Use them anywhere from Austria to Russia. The whole kit costs \$100. Too thrifty to buy the package? Pack a screwdriver and make the connections yourself. (You'll want to practice before you leave.)

12. Stay connected. Make sure your laptop remains in peak condition during your trip. Symantec's Mobile Essentials 2.0, for instance, is a nifty application that helps you connect to the Internet while you're away from the office. It handles complex and time-consuming tasks, such as troubleshooting, with ease and reduces your setup time significantly. At a cost of about \$70, the current release will probably save you lots of headaches.

13. Remember your ATM card. Accepted in nearly every major in-

14 TIPS TO HELP YOU TACKLE YOUR NEXT OVERSEAS TRIP

ternational city, ATM cards are safer than carrying cash and less cumbersome than travelers' checks. "Using credit cards or ATM cards also helps you avoid the sky-high commissions banks charge to exchange your currency," says Paolo Mantegazza, president and CEO of tour operator Globus & Cosmos. In addition, he notes, ATM cards can help save you money by securing that day's exchange rate and allowing you to withdraw exactly the currency you need. Your bank can furnish you with a list of locations where your ATM card will be accepted.

14. Don't forget the chambers of commerce. There are 90 U.S. Chambers of Commerce around the world that can help make your international trips successful. The chambers of commerce offer a number of services for companies that want to go global, such as helping a U.S. business owner get settled in his or her new country and giving start-ups advice on everything from customs to the business climate. Call (800) 649-9719 for more information.